

HOUSING AUTHORITY OF THE CITY OF LONGVIEW
Cowlitz County, Washington
October 1, 1993 Through September 30, 1994

Schedule Of Federal Findings

1. Longview Housing Authority Over Charged Administrative Fees For The Federal Section 8 Grant

The housing authority used an incorrect Fair Market Rent (FMR) amount to calculate administrative fee earned on federal Section 8 grant programs during fiscal year 1994. Overcharges to these federal programs are:

<u>Section 8 Program Name</u>	<u>Report Dates</u>	<u>Amount Claimed</u>	<u>Correct Amount</u>	<u>Amount of Over Claim</u>
Moderate Rehab	10/93-4/94	\$ 5,950.49	\$ 5,513.48	\$ 437.01
Vouchers	10/93-4/94	35,114.60	32,536.00	2,578.60
Certificates	10/93-4/94	<u>85,134.59</u>	<u>78,882.81</u>	<u>6,251.78</u>
Totals		<u>\$126,199.68</u>	<u>\$116,932.29</u>	<u>\$9,267.39</u>

Public Housing Authority Circular No. 93-38 and Federal Register, Vol. 58, No. 189 prescribe a two bedroom Fair Market Rent (FMR) of \$429 per month for October 1993 through April 1994. After Circular 94-12 was issued on April 1, 1994, increasing the FMR to \$463; the housing authority incorrectly made retroactive adjustments of monthly reports back to October 1993, which resulted in overcharges to the federal programs.

Concerning the administrative fee, Circular No. 94-12 clearly indicates an effective date of April 6, 1994, for the new FMR rate. U.S. Housing and Urban Development (HUD) Handbook 7420.7, Chapter 8, page 8-6, states in part:

A PHA may start using new FMRs to calculate the ongoing administrative fee beginning the first of the month following the effective date of the FMR change, if the FMR increases

Longview Housing Authority officials made the adjustments based upon advice and interpretations of an individual at the HUD office in Seattle.

However, we found no prior written authorization to calculate administrative fees in any manner other than that prescribed by the HUD regulations cited above. The incorrect use of a higher FMR rate not only resulted in HUD being overcharged for administrative fees, but also resulted in the material overstatement of equity recorded on the balance sheet for each of the programs listed above.

We recommend the housing authority refund \$9,267.39 overcharges to the U.S. Department of Housing and Urban Development (HUD), and calculate the administrative fee in accordance with the prescribed circular.

2. The Housing Authority Should Follow The Federal Procurement Standards And The Washington Open Public Meetings Act In Awarding Contracts

The housing authority did not comply with required procurement practices when letting the contract for the Columbia Theatre rehabilitation project. Procurement standards are prescribed in the contract between the project's administrative agency, Washington Department of Community Trade and Economic Development, and the Longview Housing Authority. This contract, by its reference to Office of Management and Budget (OMB) Circular A-102, obligates the housing authority to comply with OMB procurement requirements. The housing authority did not comply with certain provisions of OMB Circular A-102, Subpart C, which states:

(b) Procurement standards. (9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to information pertinent to the following: rationale for the method of procurement, selection of contract type, **contractor selection or rejection**, and the basis for the contract price. (Emphasis ours)

(d) Methods of procurement to be followed. (2)(ii)(C) All bids will be **publicly opened** at the time and place prescribed in the invitation for bids. (Emphasis ours)

We found no minutes for the May 18, 1994, special meeting, where project bid proposals were opened. This also violates RCW 42.32.030 which states, in part:

The minutes of all regular and special meetings . . . shall be promptly recorded and such records shall be open to public inspection.

Because minutes were not kept at the meeting where the bids were opened, the entity did not have records sufficient to detail the significant history of the procurement required by the federal rules cited above. Additionally, without minutes, the public is denied the ability to inspect the entity's meeting records as required by RCW 42.32.030.

We also found a notation in the minutes of May 23, 1994, meeting, indicating Columbia Theatre bids were being privately considered by the board in executive session. This is forbidden by RCW 42.30.030 which states, in part:

All meetings of the governing body of a public agency shall be open and public

In its discussion of executive sessions, RCW 42.30.110 does not authorize the board of commissioners to exclude the public from the process by considering public contract bids in executive session. The contract for the project was ultimately approved in an open public meeting on June 28, 1994.

Apparently, officials overlooked the procurement rules and the Open Public Meeting Act, Chapter 42.30 RCW, because of the size and complexity of the project. However, without the complete written history of the procurement transactions, including board minutes, we cannot verify that the bid opening was properly conducted, nor that the contract was considered and let according to requirements.

We recommend the housing authority maintain a written history of the significant events pertaining to its procurement in the board minutes. We also recommend, that all bid openings and discussions pertaining to bid selection be performed in an open public

meeting, and promptly recorded in the board minutes.